

Title

Indirect Costs

Purpose of the Policy

UNC University Regulations states:

3-8-105 Indirect Costs. The University will collect fully all indirect costs to which it is entitled.

The purpose of this policy is to establish the rules for reduced or waived indirect costs (IDCs), and for the redistribution of recovered IDCs.

Detailed Policy Statement

1. Indirect Costs (IDCs)

It is the policy of the University to recover full IDCs, at the University's current federally negotiated rate, on all sponsored projects. Recovered IDC dollars will be redistributed within the University in such a way that supports the University's long-term goals.

2. Reduced or Waived IDCs

There are certain circumstances in which the University may agree to reduced or waived IDCs. These agreements to pay are categorized as *Negotiated IDC Agreements* and *Automatic IDC Agreements*.

- A. *Negotiated IDC Agreements*: when a sponsor's guidelines allow budgeting for the University's full IDC rate, but the principal investigator/project director (PI/PD) requests less than the full rate in his/her proposal. Before a proposal with a reduced IDC rate will be submitted to a sponsor, the PI/PD must obtain an approved negotiated IDC agreement.

The University will consider negotiated IDC agreements only when projects would demonstrably promote a vital campus interest to the extent that funding the proposed project at a loss is more important to the University than recovering full IDCs.

The authority to approve or deny requests for reduced or waived IDCs is delegated to the Assistant Vice President for Research (AVPR). Procedures for requesting negotiated IDC agreements will be posted on the Office of Sponsored Programs (OSP) website.

- B. *Automatic IDC Agreements*: when a sponsor's published policy, applied to all grantees, restricts payment of IDCs to a rate or amount less than UNC's full approved rate, the University will usually grant an automatic IDC agreement.

UNC will accept the sponsor's policy as an automatic IDC agreement when: (i) the restriction is initiated by the sponsor, (ii) the restriction is consistently communicated to all applicants, (iii) the restriction is non-negotiable, and (iv) the proposed project fits within the mission of the University.

Some sponsors—typically smaller, local organizations—do not have written guidelines and are not able to pay the full negotiated IDC rate. For such sponsors a request for a negotiated IDC

agreement will be required. Once a history and relationship with the sponsor is established and an allowable IDC rate is agreed upon, an automatic IDC agreement will be approved.

OSP will maintain a list of approved automatic IDC rate agreements.

- C. For-profit sponsors' IDCs: Negotiated IDC agreements are *not allowed* for for-profit organizations. Charging a for-profit organization less than the full cost of a project, including IDCs, constitutes a gift of public funds for private benefit. The only exceptions to this policy will be based on case-by-case consideration of a project as a legitimate general University community service, or a scholarship or fellowship program.
- D. Applicability and Duration of Approved Exceptions: A negotiated IDC agreement will apply to the project period and the budget stated in the agreement or in an initial award document resulting from the proposal being considered, for a maximum period of five years, provided there is no material change in the project that affects the basis on which the agreement was approved. If a project continues beyond five years, the PI/PD must submit a request for a continuation of the IDC agreement.

3. **Redistribution of Recovered IDCs**

The IDCs recovered from all sponsored projects will be redistributed according to the following guidelines. Redistribution plans that deviate from guidelines below must be approved, prior to submission of the proposal, by the AVPR. Recovered IDCs for all sponsored projects shall be redistributed as follows:

- A. 70% of recovered IDCs will be retained in the central University budget.
- B. 30% of recovered IDCs will be returned to the college(s) from which the sponsored program was generated. Projects with PIs and Co-PIs from more than one college will negotiate the subdivision of IDCs *prior to submission* of the proposal. Colleges are encouraged to maintain internal policies that return a significant portion of the 30% college share to the PI(s).

Applicability

All sponsored projects submitted by UNC on behalf of any UNC personnel.

Definitions

Sponsored Projects: All externally funded grants, contracts and other sponsored agreements.

Direct Costs: Costs that are readily identifiable with a specific sponsored project and that can be charged directly to that project. Direct costs include such items as salaries, fringe benefits, equipment, consumable materials and supplies, travel, participant costs, and the cost of subcontracts and consultants, all of which provide direct benefit attributable to the specific project.

Indirect Costs (IDCs): IDCs are sometimes referred to as facilities & administration (F&A) costs, institutional overhead, or simply administrative costs. IDCs are incurred for common or joint university services such as libraries, physical plant operation and maintenance, utility costs, depreciation or use allowance for buildings and equipment, and all administrative costs related to sponsored projects at the school, college, and university level. University-level administrative costs include accounting, payroll, purchasing, OSP, the Office of Research, etc. They are real costs to the institution, but they cannot be clearly and easily documented or attributed to a specific sponsored project, instructional activity, or any other institutional activity, and therefore, cannot be directly charged to a specific grant or other sponsored agreement or activity.

IDC rate: The percentage of an institution’s overall costs that make up the institution’s facilities and administrative costs. The percentage is calculated according to a federally defined formula and is periodically negotiated with the institution’s cognizant federal audit agency. UNC’s cognizant agency is the Department of Health & Human Services. The resulting percentage becomes the rate the institution is allowed to charge for IDCs incurred on projects supported by federal grants and contracts. Because federal policy requires institutions to treat like costs alike, UNC applies the same IDC policy to non-federal grants and contracts. The current federally negotiated rate agreement is posted on the OSP website.

Modified Total Direct Costs (MTDC): Unless a sponsor’s policies or guidelines state otherwise, UNC’s approved IDC rate should be applied to a project’s “modified total direct costs.” MTDC make up the base upon which the approved rate is calculated, and are defined in the federally negotiated rate agreement.

Total Direct Costs (TDC): Sponsors that restrict the amount or rate of IDC charged to their awards sometimes allow the restricted rate to be applied to a project’s total direct costs (TDC). In these cases, the rate allowed by the sponsor should be charged to the total direct costs without exclusions.

Off-campus IDC rate: An off-campus IDC rate is also included in the University’s federally negotiated rate agreement. The off-campus rate should be applied only to projects that are considered to be conducted “off campus” according to the definition in the federally negotiated rate agreement.

Flow-through IDC: In cases where a grant or contract from a prime sponsor to another organization includes a sub-award from that organization to UNC, UNC should charge its own IDC rate, not the prime sponsor’s rate.

Policy Authority

Provost and Senior Vice President for Academic Affairs

Contact Information

The Office of Research, Assistant Vice President for Research: 351-4390, research@unco.edu

The Office of Sponsored Programs: 351-1907, osp@unco.edu

Related Policies/References

2 CFR 200 — Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance): www.ecfr.gov

University Regulations 3-8-105 (Indirect Costs): www.unco.edu/trustees

OSP website: www.unco.edu/research